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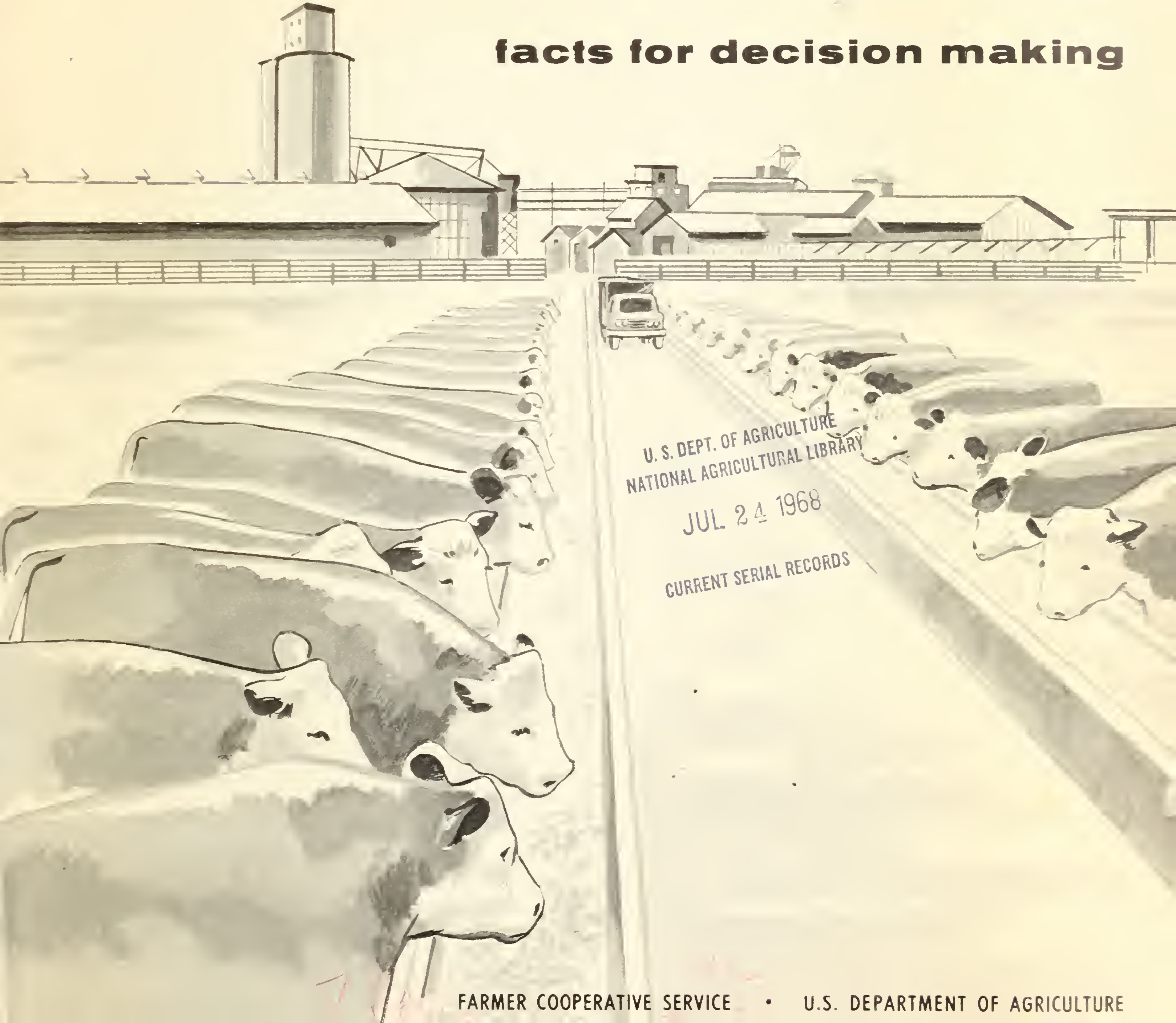
INFORMATION 58

CO-OP CATTLE FEEDING IN THE SOUTHEAST

facts for decision making



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Farmer Cooperative Service
U.S. Department Of Agriculture
Washington, D.C. 20250

Farmer Cooperative Service conducts research; advises directly with cooperative leaders and others; promotes cooperative organization and development through other Federal and State agencies; and publishes results of its research, issues *News for Farmer Cooperatives*, and other education material.

This work is aimed (1) to help farmers get better prices for their products and reduce operating expenses, (2) to help rural and small-town residents use cooperatives to develop rural resources, (3) to help these cooperatives expand their services and operate more efficiently, and (4) to help all Americans understand the work of these cooperatives.

INFORMATION 58
JUNE 1968

This is the second publication in a series on Southeast Cooperative Feedlots. The first was Information 56, *Cooperative Feedlots for Cattle in the Southeast*. It pointed out the advantages of cooperative feedlots to cattle producers. This publication will consider major factors in feeding cattle cooperatively in the Southeast.

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Co-op Cattle Feeding In the Southeast ---facts for decision making

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Cattle producers in the Southeast and in neighboring States have the opportunity to feed cattle. The region can realize millions of dollars by expanding this industry.

These 12 States feed out less than 1 million head. They consume some 3 million (Fig. 1). This deficit in fed cattle production requirements is now filled by inshipments from other regions.

As a beef cattle producer in one of the 12 States, you may want to consider a co-op feedlot. If so, you should relate each fact in this publication to your local area.

A co-op will permit you to join with other area producers to feed cattle on the same basis as large commercial feedlots. The added income above the cost of feed and services remains with you, the cattle producer.

Conditions Look Favorable

Large numbers of beef cattle move in and out of the region. The 12 States shipped out 4 million feeder cattle in 1966. One half, or 2 million head, were shipped back as fed cattle the same year. Those 2 million cattle represent 70 percent of the fed beef consumed in the region.

Future beef needs will even be greater. Higher per capita incomes and a larger population are expected to increase the demand for fed beef.

These facts show a good potential for increased cattle feeding. Feeding more locally produced feeder cattle for consumers at home can increase the wealth of the region. Co-op feedlots offer cattle an opportunity to share in this increased income.

Four Income Sources

Feeding 2 million more feeder cattle—cattle already raised in the 12 States—can mean a quarter billion dollars more a year for the region (Fig. 2). This is only the number of cattle to meet current fed beef needs. A greater number could be fed in the future.

First, a source for more income is the $210 million difference in value between 2 million fed cattle and 2 million feeder cattle. Producers can keep more of these dollars by finishing these cattle in co-op feedlots.

Second, these fed cattle could be slaughtered in the region. This would add another $16 million to their value (Fig. 2).

Third, feeding all these cattle in the 12 States would reduce transportation costs by over $32 million a year—a net figure after subtracting

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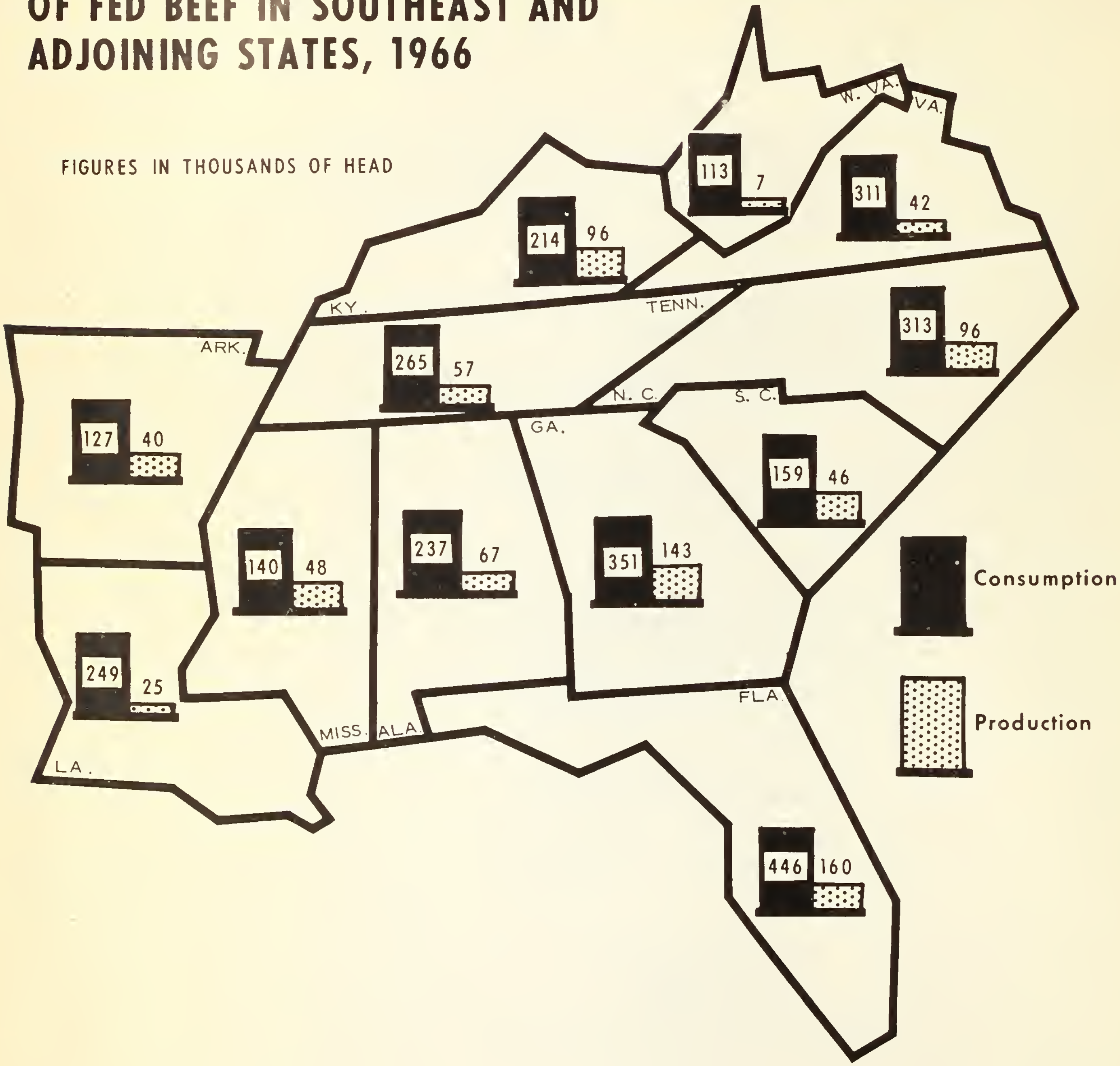
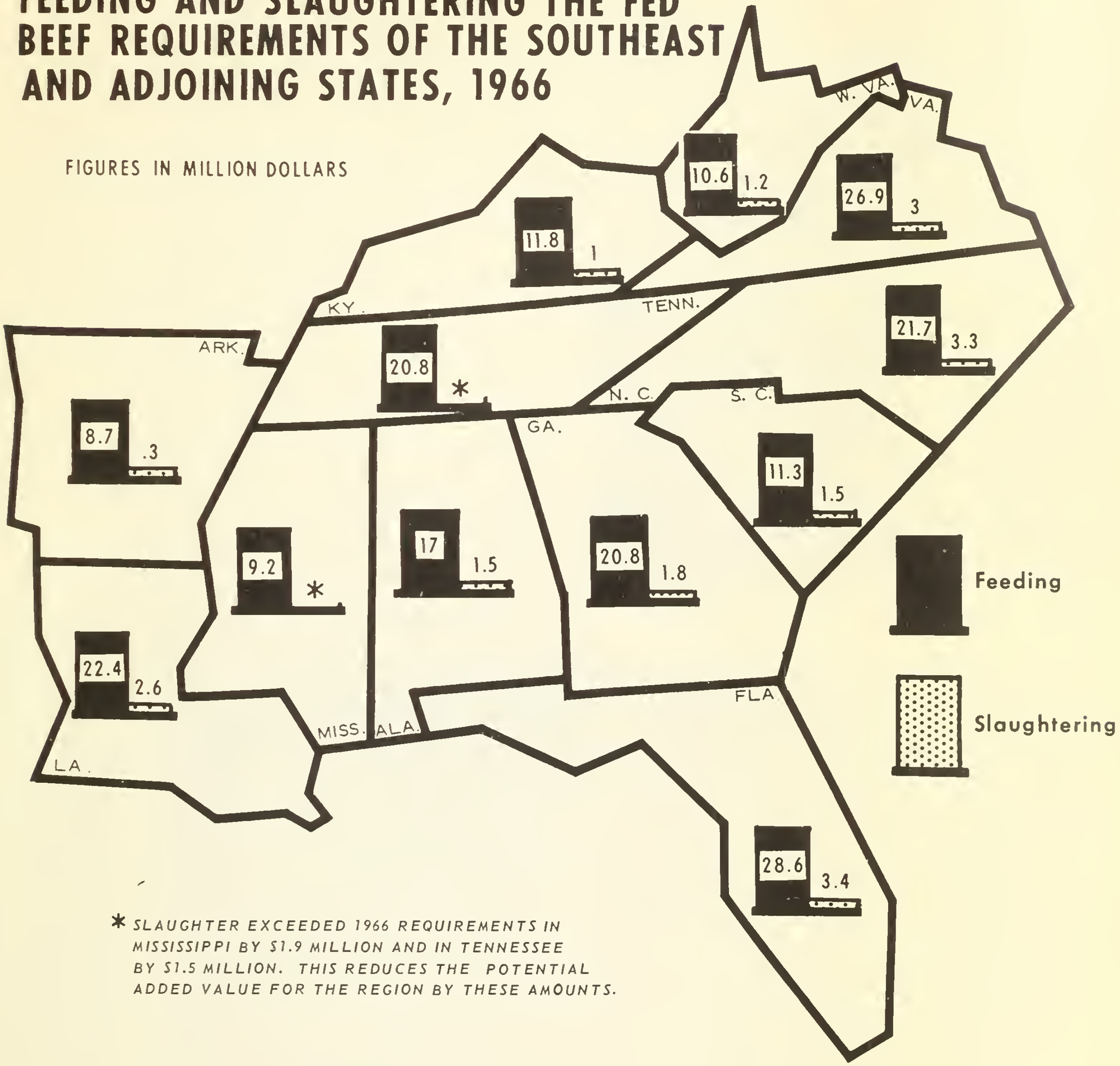
FIG. 1--FED CATTLE PRODUCTION AND CONSUMPTION OF FED BEEF IN SOUTHEAST AND ADJOINING STATES, 1966



FIGURES IN THOUSANDS OF HEAD

FIG. 2--ESTIMATED VALUE THAT COULD BE ADDED BY FEEDING AND SLAUGHTERING THE FED BEEF REQUIREMENTS OF THE SOUTHEAST AND ADJOINING STATES, 1966



FIGURES IN MILLION DOLLARS

* SLAUGHTER EXCEEDED 1966 REQUIREMENTS IN MISSISSIPPI BY $1.9 MILLION AND IN TENNESSEE BY $1.5 MILLION. THIS REDUCES THE POTENTIAL ADDED VALUE FOR THE REGION BY THESE AMOUNTS.

Feed grain is being loaded in hopper cars headed for the Southeast (left).

Southeast producers are now raising increasing numbers of quality feeder cattle (below).

cost of importing grain for the increased cattle feeding. See page 9 for transportation cost estimates.

Fourth, feedlots and slaughter plants would provide new employment and create new markets for local goods and services. Farmers in local areas, for example, could produce forage for the feedlots. A large part of this additional income could be spent in the area.

Savings from reduced transportation costs together with income from feeding and slaughtering in the region could gross some $260 million a year.

Facts To Consider

Here are some facts and trends for consideration by beef cattle producers, meat packers, and others interested in investments required for increased cattle feeding.

Feeder Cattle.—Beef cattle numbers increased about 3.5 times since 1929 in the region, as compared to 2 times for the United States as a whole, a trend that's expected to continue.

Total feeder calf production from this beef cattle stock is about 5 million head.

Better breeding and herd management have greatly improved beef cattle in the region. As a result a larger number of quality calves can be fed to good and choice grades.

Feeder calf production per State ranges from under 200,000 to over 700,000 head (Fig. 3). In 1966, estimated outshipments as a percentage of the total feeder cattle production ranged from more than 40 to over 90 percent for individual States. Local variations are even wider than those between States.

Co-op feedlots will provide additional market outlets for feeder and slaughter cattle. A feeder calf producer could make a choice on selling his calves or feeding them for slaughter.

Cattle Feeding.—In 1966 under one million cattle were fed in the Southeast. This represents about 5 percent of the total U.S. production. A recent report of 6 Southern States showed that 50 feedlot operators, about 1 percent, fed 50 percent of the cattle. These producers fed some 70 head a year. An increasing share of the fed cattle are being finished in large lots.

Average number fed by them annually was 5,000. Those with less than 1,000 head capacity, or 99 percent of the feedlot operators, fed the other 50 percent.

A co-op feedlot would enable an individual cattle producer to realize the economies of large-scale operations.

Feed Supplies.—Production of forage crops is increasing rapidly in the South. Coastal Bermuda, Argentine Bahia, and other more productive grasses are widely used. Since 1959 acreage of improved pasture has jumped by 50 percent, or to some 10 million acres, in the region.

Feed grain and protein supplies have also been increasing in the region. Corn production, for example, has increased since 1959 for six of the States. Increased soybean production and processing in the region will help offset the decline in cotton and cottonseed meal production.

By-products may be important sources of roughage in your area. Citrus pulp, cottonseed hulls, peanut hulls, and rice hulls can complement silage and hay supplies. Since forage crops are bulky, local production is important.

Locally grown grain is still in short supply in most areas. On the other hand, more grain is being shipped into the region and local production is increasing.

Lower Rail Freight Rates on Grain.—The 60 percent reduction in rail freight rates in 1963 makes cattle feeding in the South more attractive.

The 1966 seasonal price received for corn at Mt. Vernon, Ill.—a grain source for the Southeast—was $1.30 a bushel. The price of this corn at Atlanta, Ga.—including transportation and handling—was $1.45 a bushel. Before the 1963 freight rate reduction, the price of corn in Atlanta would have been $1.65 a bushel.

This feedlot site is of adequate size for feeding pens, supporting activities, and future expansion.

Feedmill and grain storage facilities are an integral part of feeding operations.

A large volume of silage is held here in open pit storage for use in feedlot rations.

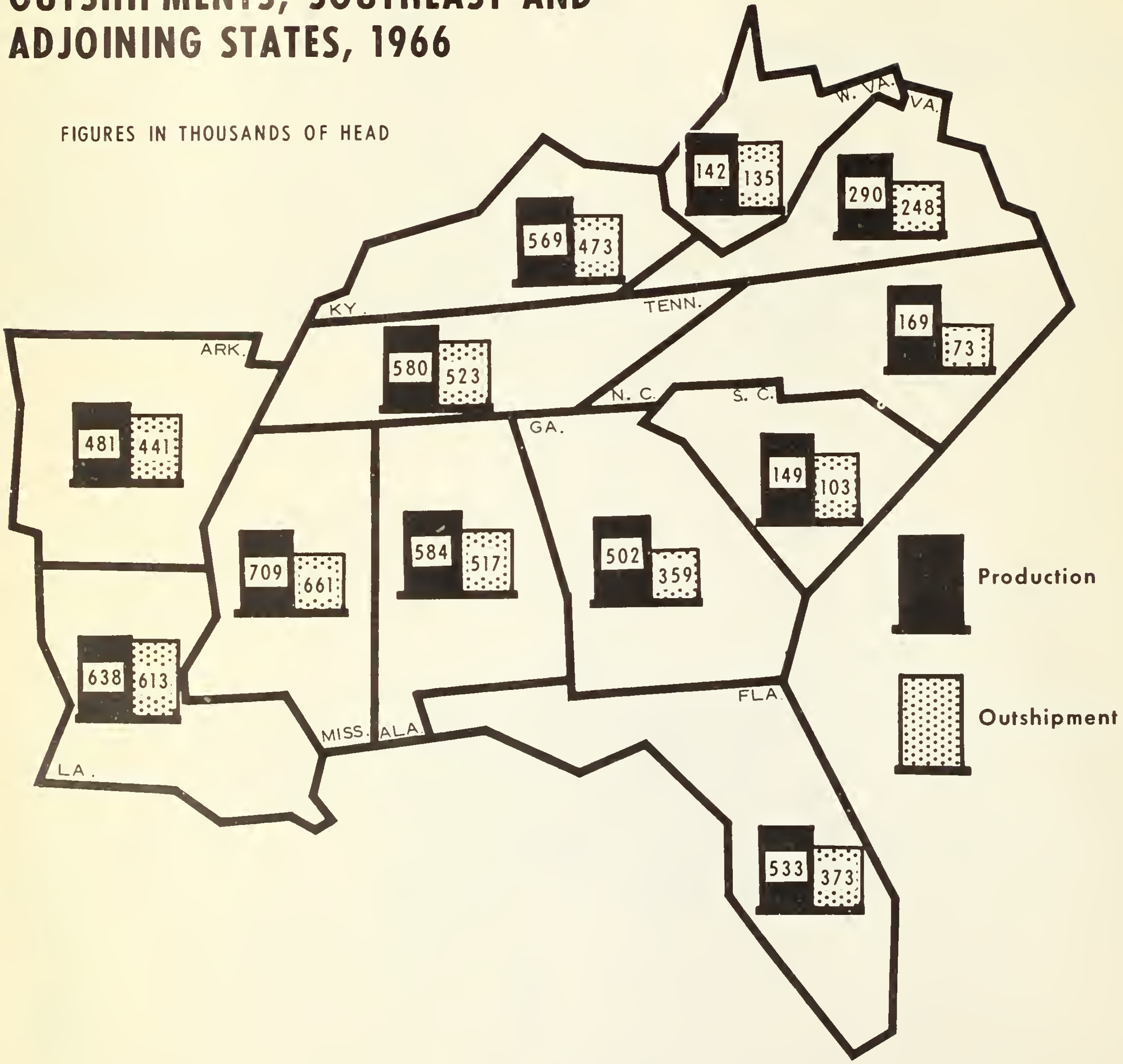
This control panel for large automated co-op feedmill demonstrates the mechanization of modern cattle feeding.

These finished cattle are being loaded for shipment to the slaughter plant.

A truck mounted mixing unit delivers feed to cattle pens.

FIG. 3-- FEEDER CATTLE PRODUCTION AND OUTSHIPMENTS, SOUTHEAST AND ADJOINING STATES, 1966

FIGURES IN THOUSANDS OF HEAD



The rate reduction was based on multiple carload lots. Co-op feedlots have the storage capacity to handle grain in this volume. Most individual feeders do not. By operating as a co-op, individuals can obtain these savings.

Reduced Cattle Movement.—Shipping over 2 million feeder cattle out and returning them as slaughter cattle and as dressed beef is costly.

The cost for moving that many feeder cattle from Atlanta to Des Moines, Iowa, and returning them either as slaughter cattle or as dressed beef is about $46 million. Des Moines was selected as a destination for feeder cattle and origin for fed beef—feeding and slaughter area—while Atlanta is in a surplus feeder cattle and deficit fed beef area.

Additional grain to feed out the 2 million head was estimated. The cost for handling and shipping this grain from Mt. Vernon to Atlanta is about $14 million. Thus an annual cost reduction of some $32 million a year could be realized by feeding these cattle in the South.

Many origin and destination points exist for cattle, beef, and grain shipments. However, this is one example of the potential reduction in transportation costs.

Related Conditions.—Profitable cattle feeding depends primarily on the availability of feeder calves, feed, and markets. Related factors that also help determine the success of cattle feeding may include such things as labor, climate, technology, financing, and other services. Let's look at some of these.

The region has an advantage with lower labor costs but individuals lack cattle feeding experience. Careful attention is needed in locating or in training experienced labor.

A feedlot needs veterinary, accounting, and planning services. A co-op feedlot can normally acquire these services at costs lower than an individual cattle producer.

Cattle feeders in the South have milder winter climates than other regions but higher rainfall makes paved lots almost a necessity. Also higher temperatures and humidity may mean more disease, parasites, and insects than other regions.

Cattle feeders in the area will need to observe modern feeding methods and to adapt them to local conditions. This means large-scale cattle feeding in the future will probably develop faster here than it has in other regions.

Large sums of capital are required to provide facilities and to operate a feedlot with these modern methods. Cattle producers may find it easier to finance a co-op feedlot than for each farmer to finance his own feeding operation.

Slaughter Outlets.—Feedlots normally sell most of their cattle direct to slaughter plants. A co-op feedlot can offer the volume that attracts packer buyers.

In 1966, 5 million cattle and calves were slaughtered in 550 Southern plants (Fig. 4). And the average plant volume is increasing.

Sixty plants in the Southeast are federally inspected and can ship beef interstate. However, non-federal inspected plants must sell within their own State. These plants need to procure the type of beef demanded in their area.

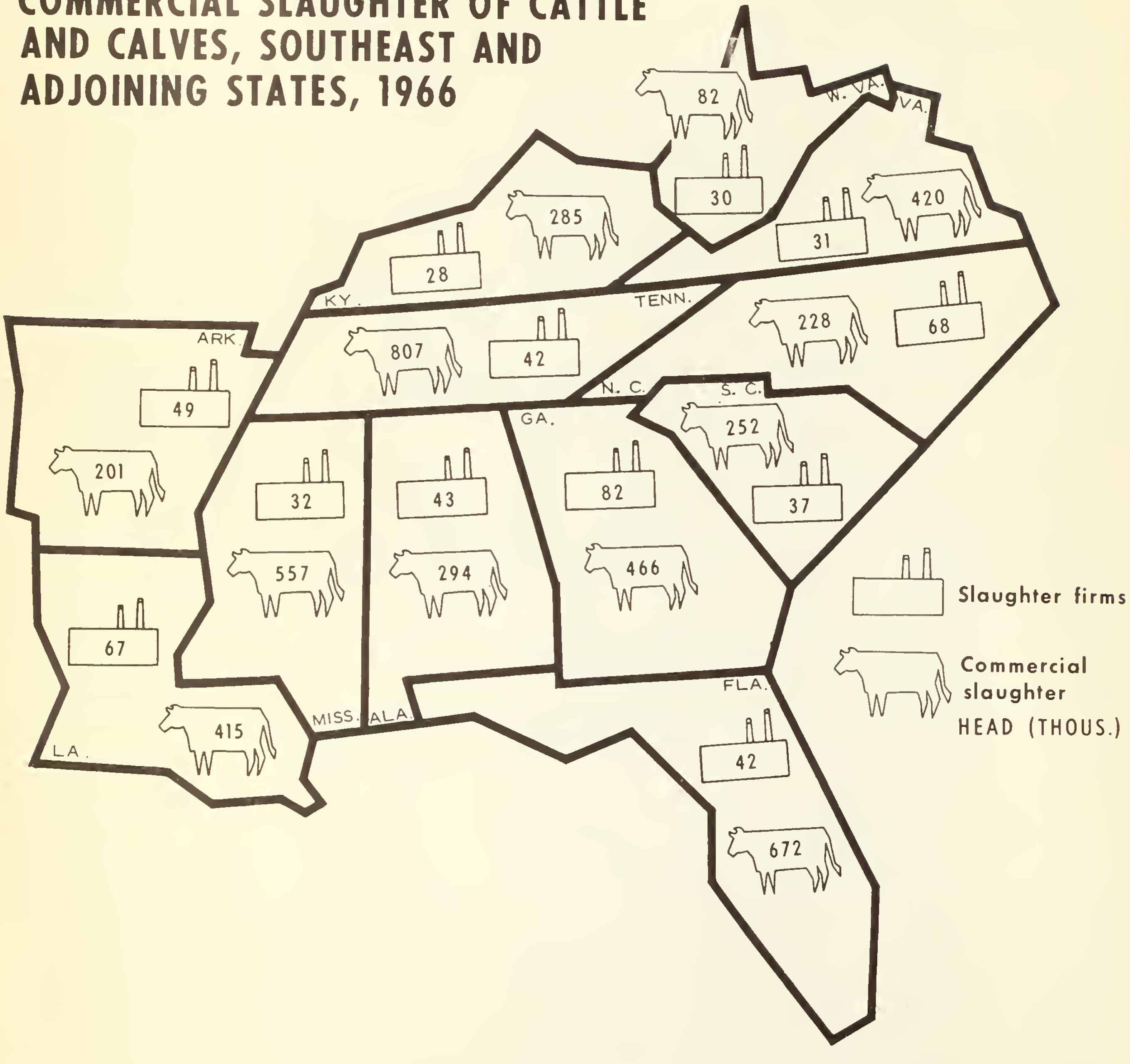
Slaughter plants need a year-round supply of fed cattle. Each plant requires a particular type of beef. Co-op feedlots will need to obtain this kind of information on slaughter facilities in their area.

Consumer Markets.—The area is an expanding market for fed beef as its per capita income and population increases. Nearly all the 12 States in the region increased in population from 1960 to 1966. One increased 20 percent.

By 1980, population in the 12 States is expected to increase by almost 25 percent. Average income is likely to be higher as the area develops economically.

Present per capita beef consumption is lower in this region than in others. If per capita beef consumption in 1980 merely equals the national average of 1966, a potential demand for 5 million head will exist in the region, or 2 million more than were slaughtered there in 1966.

FIG. 4--NUMBER OF SLAUGHTER FIRMS AND COMMERCIAL SLAUGHTER OF CATTLE AND CALVES, SOUTHEAST AND ADJOINING STATES, 1966



Reviewing Requirements

A high potential for increased cattle feeding exists in the Southeast. However, there are requirements that need special attention before you can realize this opportunity. You should consider these essential elements before organizing a local cooperative feeding service:

- Feasibility studies to determine producer interest, availability of feeder cattle, financial requirements, transportation rates, and market outlets;
- Adequate capital to provide feedlot facilities and meet operating costs; (Local cattle producers must be willing to invest as members. Generally, it will

USDA inspector grades fed beef carcasses for shipment to the Southeast (right).

Co-op feedlots offer farmers a method for adding value to their feeder cattle in the Southeast (below).

be necessary to borrow part of the needed capital.

- A dependable supply of feed;
- Experienced management to supervise the cooperative feedlot;
- Training programs where necessary to provide skilled labor for feedlots;
- Services of veterinarians, feed nutritionists, accountants, and other specialists; and
- The support of businessmen and community leaders.

Sources for Help

Many private and public organizations can help you in organizing and operating a co-op feedlot. They can provide economic feasibility studies, help organize, and provide technical assistance. Others can loan money or help you to contact lending agencies. You may want to ask one or more of these for their help.

For Advice and Study of Feasibility

- Local and regional co-ops
- County agricultural extension agents
- State agricultural experiment stations
- Farmer Cooperative Service, USDA
- Technical Action Panels
- State cooperative councils

For Credit

- Banks for Cooperatives
- Small Business Administration offices
- State and local Farmers Home Administration offices
- Local development corporations
- Resource Conservation and Development project offices
- Economic Development Administration offices

Feedlot Reference Publications

The U.S. Department of Agriculture and your State college and experiment station can furnish you the latest information on beef production, feeding, and marketing. Selected examples follow.

Webb, Tarvin F. Improved Methods and Facilities for Commercial Cattle Feedlots. U.S. Dept. Agr. Mar. Res. 517. Washington, D.C. 1962.

Marousek, Gerald E. and Dirks, Harlan J. Economic and Organizational Aspects of Cooperative Feedlots. S. Dak. Sta. Bul. 494. Brookings, S. Dak.

Saunders, F. B., Rhodes, J. A., Wise, J. O., and Brannen, S. J. Capital Requirements and Financing for Alternative Cattle Feeding Systems in Georgia. Ga. Expt. Sta. Bul. N.S. 177. Athens. 1966.

Thompson, Uel D. and Allen, W. S. Beef Cattle Feedlot Facilities. Tex. Agr. Ext. Serv. MP-680. College Station, Tex.

Principal Data Sources

Purcell, J. C., A Prospectus on the Market for Fed Beef in the Southeast. Mimeo Series U.N. 251. Ga. Exp. Sta. Experiment. 1966.

U.S. Dept. Agr. Number of Livestock Slaughter Plants, 1965. Statistical Reporting Service.SRS-8. Wash., D.C. 1965.

U.S. Dept. Agr. Number of Feedlots by Size Groups and Number of Fed Cattle Marketed 1962-1964. Statistical Reporting Service. SRS-9. Wash., D.C. 1966.

U.S. Dept. Agr. Livestock Slaughter 1966. Statistical Reporting Service. Wash., D.C. 1967.

U.S. Dept. Agr. Cattle on Feed. Statistical Reporting Service. Wash., D.C. 1967.

U.S. Dept. Commerce. Current Population Reports—Population Estimates. Bureau of Census Series P-25. No. 362. Wash., D.C. 1967.

U.S. Dept. Commerce. U.S. Census of Agriculture 1964, preliminary report. Bureau of Census Series AC 64-P1 by States. Wash., D.C. 1966.

Other Publications

The following publications may be obtained upon request from: Farmer Cooperative Service, U.S. Department of Agriculture, Washington, D.C. 20250

Cooperative Feedlots for Cattle in the Southeast. Information 56

How to Start a Cooperative. Educational Circular 18. Irwin W. Rust

Sample Legal Documents for New Cooperatives. Educational Circular 19

Farmer Cooperatives—Farm Business Tools. Agricultural Information Bulletin 275. Beryle Stanton

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